



# **Vermont Clean Energy Development Fund**

## ***Fiscal Year 2008 Program Plan and Budget***

## **PURPOSE OF THE ANNUAL PROGRAM PLAN**

The purpose of the Annual Program Plan is to identify the financing initiatives and programs that the Fund will pursue in the coming year, and establish target dollar allocations for the initiatives. This Annual Program Plan covers fiscal year 2008, which runs July 1, 2007 to June 30, 2008.

## **ESTABLISHMENT OF THE FUND**

In 2005, the Vermont General Assembly established the Vermont Clean Energy Development Fund through Act 74 (10 V.S.A. § 6523). The Act specifies that the Vermont Clean Energy Development Fund will be established and funded through proceeds due to the state under the terms of two Memoranda of Understanding between the Vermont Department of Public Service (DPS) and Entergy Nuclear VT and Entergy Nuclear Operations, Inc., and by any other monies that may be appropriated to or deposited into the Fund. The CEDF will receive payments from Entergy through 2012.

## **MANAGEMENT & GOVERNANCE**

### **Department of Public Service (DPS) Administration**

In accordance with 10 V.S.A. § 6523, the CEDF shall be administered by the DPS. The DPS has extensive experience with issuing proposal solicitations and administering contracts and grants. The DPS also works with Vermont's ratepayers, power suppliers, and other stakeholders and interested parties on a regular basis. A Fund Manager hired by the DPS manages day-to-day operation of the Fund.

### **Advisory Committee**

The role of the Advisory Committee is to review the strategic plan and the annual program plan and operating budget. The Advisory Committee will also appoint the Investment Committee members. As defined in 10 V.S.A. § 6523, the Advisory Committee will consist of the Commissioner of Public Service or a designee, and the Chairs of the House and Senate Committees on Natural Resources and Energy or their designees.

### **Investment Committee**

The Investment Committee reviews and approves the CEDF plans, budget and programs designs. The Investment Committee assists the Fund Manager and the DPS Commissioner in the review of grants and investments; determining the viability of a project, company, product or service; and evaluating marketing and business plans. As

defined in 10 V.S.A § 6523, the Investment Committee consists of seven persons appointed by the Advisory Committee.

## **GOALS AND OBJECTIVES**

### **Goals**

The goal of the Fund is to increase the development and deployment of cost-effective and environmentally sustainable electric power resources – primarily with respect to renewable energy resources, and the use of combined heat and power technologies - in Vermont. The Fund shall be managed to promote:

- The increased use of renewably produced electrical, thermal energy, and combined heat and power technologies in the state;
- 
- The growth of the renewable energy-provider and combined heat and power industries in the state;
- The creation of additional employment opportunities and other economic development benefits in the state through the increased use of renewable energy and combined heat and power technologies;
- The stimulation of increased public and private sector investment in renewable energy and combined heat and power related enterprises, institutions, and projects in the state.

### **Objectives**

- Increase the installation of renewable energy systems for homes, businesses, farms, and public buildings.
- Increase the amount of combined heat and power (CHP) systems in the state.
- Facilitate clean energy distributed generation that enhances grid stability.
- Facilitate and support efforts by Vermont communities to develop small-scale renewable energy projects.
- Help developers secure project financing for construction of eligible renewable energy generating facilities and support pre-development activity.
- Continued growth of clean energy related businesses and industry in Vermont.

- Provide financial and technical assistance for the design, development, and commercialization of clean energy technologies and products.

## **GUIDING PRINCIPLES**

- Support diversified portfolio of clean energy technologies that will benefit ratepayers and municipalities; leverage private and public investment; and have positive impacts in terms of economic development, additional employment opportunities, and environmental attributes.
- Allow for sufficient risk taking in fund use to stimulate development of clean energy products, businesses, and market initiatives by investing the funds through grants, loans, and equity investments in the most appropriate fashion for each project to maximize the mission related public benefit return over the life of the Fund.
- Seek to remove market barriers related to the development and deployment of renewable energy and combined heat and power technologies in Vermont through the support of transformational technology, market and cultural developments.
- Ensure maximum value from the CEDF by supporting initiatives and activities that are reliable, cost effective (or reasonably likely to become cost effective), and utilize commercialized or nearly commercialized technologies.
- Pursue geographic distribution of projects throughout the state consistent with system needs, while providing citizens the maximum exposure to alternative generation opportunities.
- Pursue organizational development that results in the least administrative cost to maximize funds for direct investment.
- Participate in projects in which the funds will make a meaningful difference.

## **2008 CLEAN ENERGY DEVELOPMENT FUND ANNUAL PROGRAM PLAN**

### **GRANT PROGRAM**

The CEDF will be offering two grant solicitations.

Funding amounts for the grant program will be up to \$3,482,400 for fiscal year 2008

<b>Grant Solicitation Timeline Fiscal Year 2008</b>		
	<b>Grant RFP # 1</b>	<b>Grant RFP # 2</b>
<b>RFP issued</b>	06/09/2007	02/15/2008
<b>Proposals due</b>	07/09/2007	04/01/2008
<b>Grant awards announced</b>	08/09/2007	05/01/2008

<b>Grant Solicitation Timeline Fiscal Year 2009</b>		
	<b>Grant RFP # 3</b>	<b>Grant RFP # 4</b>
<b>RFP issued</b>	8/15/2008	02/15/2009
<b>Proposals due</b>	10/1/2008	04/01/2009
<b>Grant awards announced</b>	11/1/2008	05/01/2009
To assist with project planning the grant solicitation timeline for fiscal year 2009 is included with this year's plan		

## **Project Categories for Grant Solicitation**

### **Pre-Project Financial Assistance**

This category includes feasibility studies and pre-development activities to develop new renewable energy generation facilities and combined heat and power systems, which may require high-risk, early-stage activities and for those projects that do not have the resources to finance pre-project activities. Projects under this category may include: renewable energy resource assessments; site assessments; environmental impact and regulatory analysis; technical and engineering feasibility studies; engineering designs; and economic and financial feasibility studies. Other similar projects not specifically listed above will also be considered.

The maximum grant award for this category is \$25,000 and requires a 20% cash match. Projects should be completed within 6 months of award.

### **Small-Scale Systems**

This category includes the installation of micro-CHP systems, micro-turbines, or fuel cells at residential or small commercial buildings. Clean/renewable energy systems totaling no more than 15kW of capacity per installation are eligible. All electric generation projects must be grid-connected. Other similar type systems not specifically listed above will also be considered. Solar electric, solar hot water and small-scale wind

systems are not eligible for funding under this category as incentives are currently available under the Vermont Solar and Small Wind Incentive Program for these types of systems.

The maximum grant award for this category is \$60,000 and requires a 50% match, no more than 25% of which can be in-kind match. Projects must be completed within 2 years of award.

### **Large-Scale Systems**

This category includes renewable energy and combined heat and power projects greater than 15 kW in capacity located at commercial, industrial, institutional, and public facilities. Renewable energy projects may include but is not limited to: solar electric; farm, landfill and sewer methane recovery; low emission, advanced biomass electric power generation; and wind. This may include utility-scale installations. All electric generation projects must be grid-connected. The installation of microturbines and fuel cells at large commercial or industrial buildings are also eligible.

The maximum grant award for this category is \$250,000 and requires a 50% match, no more than 25% of which can be in-kind match. Projects should be completed within 2 years of award.

### **Special Demonstration Projects**

This category includes projects that demonstrate and facilitate the development and commercialization of innovative renewable energy products, technologies, technology applications, and processes. All electric generation projects must be grid-connected. These projects must be designed to focus on market building and technology deployment strategies as opposed to traditional research and development activities. Projects should also include the following: a technical and economic analysis of the technology application or demonstration; expected project impact on the near-term commercialization of this technology; and dissemination of project information to potential users of the technology.

The maximum grant award for this category is \$250,000 and requires a 50% match, no more than 25% of which can be in-kind match. Projects should be completed within 2 years of award.

## **TECHNICAL ASSISTANCE PROGRAM**

The CEDF will offer technical assistance grants to Municipalities, Public Schools, and Vermont State Colleges.

Funding amounts for these grants will be up to \$50,000 for fiscal year 2008

Grants requests for this program will be accepted the first Thursday of each month.

The maximum grant award for this category is \$5,000 and requires a 10% cash match.

The grants under this technical assistance program are limited to one grant per applicant per year.

Eligible categories for the technical assistance grants are:

- Assistance in evaluating site(s) for potential use of grid-connected clean and/or renewable electric energy technologies
- Assistant in developing and/or permitting grid-connected clean and/or renewable electric energy generation projects
- Assistant is preparing funding proposals for grid-connected clean and/or renewable electric energy generation projects
- Assistant is developing bid specifications to prepare RFP's when seeking cost proposals for grid-connected clean and/or renewable electric energy generation projects

## **VERMONT SOLAR AND SMALL WIND INCENTIVE PROGRAM**

The CEDF will provide up to \$750,000 for the Vermont Solar and Small Wind Incentive Program in fiscal year 2008.

The Vermont Solar and Small Wind Incentive Program provides incentive payments for grid connected and net metered solar PV and wind systems, solar hot water systems, and starting in 2008 hydroelectric systems.

<b>Current Incentive Levels</b>		
<b>Solar Electric</b>		
<b>Customer Type</b>	<b>Incentive Amount (\$/Watt)</b>	<b>Maximum Incentive for a Single System</b>
Individuals & Businesses	\$1.75	\$8,750
Low Income Multi-Family Housing projects	\$3.50	The lesser of \$35,000 or 50% of total installed cost
<b>Solar Thermal Hot Water</b>		
<b>Customer Type</b>	<b>Incentive Amount (\$/hundred Btu/day)</b>	<b>Maximum Incentive for a Single System</b>
Individuals & Businesses	\$1.75	\$8,750
Low Income Multi-Family	\$3.50	The lesser of \$35,000 or 50%

Housing projects		of total installed cost
<b>Wind</b>		
<b>Customer Type</b>	<b>Incentive Amount (\$/Watt)</b>	<b>Maximum Incentive for a Single System</b>
Individuals & Businesses	\$2.50 base – up to \$4.00 with Vermont-made components	\$12,500
Schools, Farms, & Local/State Governments	\$4.50	The lesser of \$20,000 or 50% of total installed cost
<b>Hydroelectric (Starting January 1, 2008)</b>		
<b>Customer Type</b>	<b>Incentive Amount (\$/Watt)</b>	<b>Maximum Incentive for a Single System</b>
Individuals & Businesses	\$1.75	The lesser of \$8,750 or 50% of total installed cost

The Vermont Solar and Small Wind Incentive Program is currently administrated by the Renewable Energy Resource Center. Additional information on the program is available at: [www.nerc-vt.org](http://www.nerc-vt.org) or by calling 877-888-7372.

## LOAN PROGRAM

The CEDF loan program will fund a wide variety of clean and/or renewable electric energy technologies, including but is not limited to the following: solar photovoltaic, wind energy, farm, landfill and sewer methane recovery, combined, heat, & power (CHP) systems, and hydroelectric systems. All electric generation projects must be grid-connected. CEDF will make loans that meet the Fund's objectives and advance the overall goals of the Fund as more specifically set forth in 10 V.S.A § 6523 and the CEDF Strategic Plan in the section entitled "Potential Funding Areas".

The amount for funds for these loans will be up to \$3,750,000 in fiscal year 2008

Loan applications for this program will be accepted the first Thursday of each month.

### Eligible Borrowers

Individuals, sole proprietorships, partnerships, limited liability companies, corporations, non-profit corporations, Subchapter S corporations, municipalities, and foreign corporations with Vermont subsidiaries/affiliates

### Borrowing Limitations

- Loans cannot be used for more than 90% of the cost of a project.



- Minimum loan: \$50,000
- Maximum loan: \$250,000

### **Use of Funds**

Funds can be used for the following:

- Purchasing land and buildings (when specific to project)
- Purchasing and installing machinery and equipment
- Working capital

All financing must be used for activities or assets directly related to the project.

### **Loan Rates & Terms**

- Interest rate fixed at 4%
- Term for real estate loans is 10 years, amortized on a 15-year basis
- Term for machinery and equipment loans is a maximum of 7 years
- Term for working capital loans is 3 years

### **Fees**

- Borrowers must pay an application fee of 1% on the loan amount, which is capped at \$1,500, once the loan is approved.
- Borrowers are responsible for paying all closing costs.

### **Application Process**

1. Contact DPS for application form
2. Applications are due by the first Thursday of every month
3. Investment Committee reviews applications and will either send applications on for underwriting or will reject application
4. Underwriting is performed by the VT Economic Development Authority (VEDA)
5. Final approval or denial of loans by the Investment Committee

The typical review period will be 60 days for complete applications. If applications are incomplete or unforeseen circumstances arise the review period could be longer.

## **EQUITY AND NEAR-EQUITY INVESTMENT PROGRAM**

The CEDF will consider equity and near-equity investments (e.g. royalty financing) on a case-by-case basis. The CEDF will only co-invest with a qualified and established lead investor, in amounts from \$50,000 to \$500,000, up to 30% of an offering.

The CEDF will consider investments under this program in projects or companies that meet the Fund's objectives and advance the overall goals of the Fund as more specifically set forth in 10 V.S.A § 6523 and the CEDF Strategic Plan in the section entitled "Potential Funding Areas".

The amount of funds available for this program is \$500,000 in fiscal year 2008.

# **FISCAL YEAR 2008 CLEAN ENERGY DEVELOPMENT FUND BUDGET**

## **Vermont Clean Energy Development Fund 2008 Fiscal Year (July 1, 2007 to June 30, 2008) Budget**

<b>Total Funds Available</b>		<b>\$ 10,082,048</b>
------------------------------	--	----------------------

### **Use of Funds<sup>1</sup>**

Grant Program	\$3,482,400	
Technical Assistant Program	50,000	
Small Wind & Solar Program	750,000	
Loan Program	3,750,000	
Equity Investment Program	500,000	
DPS Administration Costs	279,583	
Dept. of Agriculture Economic Development	300,000	9,111,983

<b>Carry Forward to FY 2009</b>		<b>\$ 970,065</b>
---------------------------------	--	-------------------

<sup>1</sup>The Investment Committee reserves the right to reallocate funding within budget categories based on program needs and activities as outlined in 10 V.S.A. § 6523.